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# YOU ARE A SOCIAL SCIENTIST

*The writer discusses the responsibilities of the accountant as an active member of the family of social sciences particularly in the light of the effect of accounting practices upon society as a whole.*

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Perhaps as an accountant you haven't thought about it, but you are engaged in a social science.

Accounting plays a vital role in our society due to the dependence on published financial statements by many diverse segments of society as well as the planners of our society. The federal government's recognition of the value of financial statements dates from the Securities Act of 1933 and the Securities Exchange Act of 1934, in which statements covered by an unqualified opinion of an independent auditor are required before securities can be traded in interstate commerce.

The extent of social (including economic and political) importance that accounting has achieved is exemplified by the U. S. Treasury's position on deferral of the investment credit. It is the Treasury's contention that allocation reduces the impact of the tax reduction which is contrary to the intent of Congress in allowing the investment credit. The implication of this statement is that the amount of reported income is important to the society as a whole and that accountants should view their work as it will affect society, not just the particular client.

## Definitions

Definitions of a social science were examined by Professor R. K. Mautz,<sup>1</sup> who came to the conclusion that accounting qualified as a social science. One definition he quoted is especially pertinent: "In baldest terms, social scientists share a common concern in the development and use of methods for ordering data systematically and analytically, and for interpreting their findings as objectively as possible."<sup>2</sup>

The *Encyclopedia of the Social Sciences*<sup>3</sup> includes discussions of accounting, cost accounting, and auditing, from which it can be concluded that the social sciences recognize accounting as a member of their family. "However, it is one thing to be accepted into the family; it is quite another to claim a place at the table by right of accomplishment."<sup>4</sup>

## Implications—Responsibilities

*Accounting Research Bulletin No. 1*, issued in 1939, recognized the social implications of accounting and the social responsibilities with which accounting was vested. This statement was repeated in the first paragraph of *ARB No. 43*:

Accounting is essential to the effective functioning of any business organization, particularly the corporate form. The test of the corporate system and of the special phase of it represented by corporate accounting ultimately lies in the results which are produced. These results must be judged from the standpoint of society as a whole—not merely from that of any one group of interested persons.<sup>5</sup>

As a profession, accounting has taken steps

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<sup>1</sup>R. K. Mautz, "Accounting as a Social Science," *Accounting Review*, April 1963, pp. 317-325.

<sup>2</sup>Pendleton Herring, "Toward an Understanding of Man," in *New Viewpoints in the Social Sciences*, Twenty-Eight Yearbook of the National Council for the Social Studies, Roy A. Price, Editor, National Council of the Social Studies, 1958.

<sup>3</sup>Vol. 1, p. 404; Vol. 4, p. 475; Vol. 2, p. 312, as referenced by Mautz.

<sup>4</sup>Mautz, p. 312.

<sup>5</sup>Committee on Accounting Procedure, *Accounting Research and Terminology Bulletins*, Final Edition (New York: American Institute of Certified Public Accountants, 1961), p. 7.

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calculated to more "fairly" reflect the financial position and results of operations of a business enterprise; witness the Accounting Research Bulletins, the Opinions of the Accounting Principles Board, and the Special Bulletin of October, 1964.<sup>6</sup> No longer is depreciation dependent upon income and whim of management; no longer can significant gains and losses be hidden within retained earnings; no longer is computation of earnings per share subject to individual techniques.

Certainly there are many areas remaining to which the profession must speak, but progress has been made in dealing with specific technical problems. The solutions found in the past and those to be found in the future must be evaluated in terms of their social impact.

It is also essential that the totality of accounting be assessed in light of its place in society. It is the area of evaluation as to fairness to society that accountants are most prone to overlook in their preoccupation with the search for an immediate way to handle a particular situation.

### New Dimension

Mr. Leonard M. Savoie added another dimension in a recent issue of *The CPA* when he wrote:

The accounting profession faces a fascinating opportunity to serve the public by developing new and different technique for measuring the output of social programs. There is already a need for this kind of measurement, which might be termed "social accounting," and the need is bound to grow in the future, as vast sums of money will be dedicated to programs for social improvement.<sup>7</sup>

Accountants are involved in work which is recognized by those outside the profession as (1) having social responsibilities and (2) being a social science. The professional publications have not ignored the social aspects of accounting, yet the amount of real concern has perhaps not been as great as is justified by the importance of the subject.

Maurice H. Stans,<sup>8</sup> in a 1948 article, concluded that accounting must keep pace with the rapid social changes and that "self-initiated prompt action is the best insurance of an unregulated future for accounting and reporting practices."<sup>9</sup> These words from the past echo loudly when reading the statement made by former SEC Chairman Manuel F. Cohen, quoted in the *Journal of Accountancy*:

I must say the American Institute of Cer-

tified Public Accountants is moving and moving very expeditiously in this area of comparability of financial statements. . . . (But) if they don't move as rapidly as we like or if they come up with the wrong answers, we can write our own rules and our rules control.<sup>10</sup>

All of this indicates that accounting is a social science and the members of the accounting profession must recognize their responsibilities to society.

### In Summary

Paying lip service is not sufficient. Society demands action, not words. Reporting practices must be evaluated in light of the demands of society without losing sight of the accountants' obligations to interpret their findings as objectively as possible. Accountants must act in accordance with their status as social scientists. And, as members of society, accountants will also benefit.

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<sup>6</sup>Special Bulletin, "Disclosure of Departures from Opinions of Accounting Principles Board," issued by the Council of the American Institute of Certified Public Accountants, October, 1964.

<sup>7</sup>"Social Accounting—An Opportunity for Service," *The CPA*, November 1967, p. 3.

<sup>8</sup>"How New Standards of Financial Reporting Grow from Social Responsibility of Accountants," *Journal of Accountancy*, August 1948, pp. 98-106.

<sup>9</sup>Stans, p. 106.

<sup>10</sup>In "Late Developments," *Journal of Accountancy*, November 1967, p. 3.

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## SHAKESPEARE

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as a failure as an accountant. Certainly, the time which he spent writing his plays distracted him from his real work. Too late he realised this, saying to his client, whose faulty report he put his name to, "And therefore have I slept in your report" (83). It would have been reasonable if he had contented himself with writing a handful of plays, but writing thirty-seven meant that he must have neglected his practice shamefully.

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SAYS THE SAGE:

A closed mouth gathers no feet.